GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:296
ANSWERED ON:16.03.2001
NEW CREDIT POLICY OF RBI
JAIBHAN SINGH PAWAIYA;SHIVRAJ SINGH CHOUHAN

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has recently announced a new credit policy;

(b) if so, the objectives thereof and details of the changes made therein as compared to the previous policy; and

(c) the likely impact of the new policy on the economic sector?

Answer

Finance Minister (Shri Yashwant Sinha)

(a), (b) and (c): A statement is laid on the Table of the House.

STATEMENT LAID ON THE TABLE OF THE LOK SABHA IN REPLY TO PARTS

(a) TO (c) OF THE LOK SABHA STARRED QUESTION NO.+ 296 FOR ANSWER ON 16TH MARCH, 2001 RAISED BY JAIBHAN SINGH PAWAIYA AND SHRI SHIVRAJ SINGH CHOUHAN REGARDING NEW CREDIT POLICY OF RBI.

(a) & (b) As per the existing practice, the Reserve Bank of India (RBI) announces its annual Monetary and Credit Policy in April and the Mid-Term Review of the policy in October. The Monetary and Credit Policy for 2000-01 was announced on April 27, 2000 while the Mid-Term Review of this Policy was announced on October 10, 2000. The new credit policy referred to in the question therefore relates to 2001-02 , which is expected in April 2001. However, keeping in view the developments i n domestic and international financial markets, the Reserve Bank of India (RBI) undertakes appropriate monetary and credit policy measures from time to time. Thus, after a review of the recent developments in domestic and international financial markets, the RBI took the following measures on February 16 and March 1,2001. February 16,2001

(i) Reduction in Bank Rate from 8 percent to 7.5 percent with effect from February 17, 2001 .

(ii) Reduction in Cash Reserve Ratio (CRR) from 8.50 percent to 8.25 percent with effect from the fortnight beginning February 24, 2001 and to 8.00 percent with effect from the fortnight beginning March 10, 2001. March 1,2001 Reduction in Bank Rate from 7.5 percent to 7.0 percent with effect from March 2, 2001.

(c) In response to the reduction in Bank Rate, a number of banks have announced reduction in their Prime Lending Rates (PLRs) . The reduction in CRR from 8.5 percent to 8 percent increased lendable resources of banks by about Rs. 4100 crore. The softening of interest rates , facilitated by reduction in cost of funds and increase in liquidity , is expected to reduce cost of production and thereby contribute to economic growth.